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**Report on the activities of the Office of Internal Oversight Services**

# Activities of the Office of Internal Oversight Services for the period from 1 July 2007 to 30 June 2008**

## Report of the Office of Internal Oversight Services

*Summary*

The present report is submitted in conformity with General Assembly resolutions 48/218 B (para. 5 (e)), 54/244 (paras. 4 and 5) and 59/272 (paras. 1-3). It does not cover oversight activities pertaining to the Department of Peacekeeping Operations, the Department of Field Support or the peacekeeping and special political missions, as they will be presented to the General Assembly in part II of the report during the resumed sixty-third session.

Assignments conducted during the reporting period underscore the need for the Organization to develop a formal internal control framework to ensure that risks are managed consistently and systematically through focused control processes across the Organization.

During the reporting period, 1 July 2007 to 30 June 2008, the Office of Internal Oversight Services (OIOS) issued 305 oversight reports, including 7 reports to the General Assembly, and 28 closure reports. The reports included 1,755 recommendations to improve internal controls, accountability mechanisms and organizational efficiency and effectiveness. Of those recommendations, 804 were classified as critical to the Organization. The financial implications of OIOS recommendations issued during the period amount to more than $12 million. Those recommendations were aimed at cost savings, overpayment recoveries, efficiency

* A/63/150 and Corr.1.

** Excluding peacekeeping oversight activities, which will be reported in document A/63/302 (Part II).

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gains and other improvements. The financial implications of similar recommendations that were satisfactorily implemented during the period totalled $4.2 million. The addendum to the present report (A/63/302 (Part I)/Add.1) provides a detailed analysis of the status of implementation of the recommendations, a breakdown of recommendations with financial implications and an analysis of selected recommendations of particular concern. Pursuant to paragraph 1 (c) of resolution 59/272, Member States have access to OIOS reports upon request. The full titles of all OIOS reports are available online (www.un.org/Depts/oios/pages/rep_and_pub.html).

## Preface

I am pleased to submit to the General Assembly a report on the activities of the Office of Internal Oversight Services (OIOS) for the 12-month period ending 30 June 2008.

The 2005 World Summit Outcome set forth an ambitious agenda for the Organization, including a wide range of governance challenges, and called for a broad strengthening of oversight. In the present report, OIOS highlights specific internal initiatives undertaken by the Office to heighten the quality of our work, which is at the core of strengthening oversight. Most notable among our achievements are the Office's 2008 risk-based workplans for audit, inspections and evaluation assignments. Those workplans are the product of significant and dedicated efforts on the part of OIOS staff to conduct comprehensive risk assessments of the entities in the Office's oversight universe to ensure that oversight assignments are prioritized according to the areas of highest risk to the Organization. I applaud OIOS staff for their commitment to this and other initiatives, to which many contribute above and beyond their normal workload.

Related to the strengthening of oversight — and a key recommendation in the World Summit Outcome — was the establishment, pursuant to resolution 61/275, of the Independent Audit Advisory Committee. Since the inception of that Committee, in January 2008, OIOS has had the opportunity to meet with it on several occasions to present its work, and looks forward to the Committee's guidance and to drawing on its expertise in the future.

Other organizational initiatives related to strengthening governance remain very much a work in progress, including the accountability framework, results-based management, enterprise risk management and the internal control framework. This is not to underestimate the enormity and complexity of those endeavours, particularly in the context of other ongoing reform initiatives and other demands on management. Nonetheless, the oversight work conducted during the reporting period — which observed numerous instances of deficiencies in internal control — reminds us why it is essential to fully develop and embrace such initiatives and make them an integral part of our organizational culture. Without a proactive and systematic approach to managing risk, which is a core part of an internal control framework, the Organization will remain reactive in responding to deficiencies and vulnerable to mismanagement and misuse of resources. There is a long road ahead, but I am confident that all stakeholders will contribute their part to these endeavours for the betterment of the Organization.

I wish to thank Member States for their continued support and the trust they have placed in the Office, which enables us to carry out our important mandate.

(*Signed*) Inga-Britt **Ahlenius**
Under-Secretary-General for Internal Oversight Services

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# I. Introduction

1. The Office of Internal Oversight Services (OIOS) was established pursuant to resolution 48/218 B to enhance oversight in the Organization. The purpose of the Office, which is operationally independent, to assist the Secretary-General in fulfilling his internal oversight responsibilities in respect of the resources and staff of the Organization through internal audit, monitoring, inspection, evaluation and investigation.

2. The present report provides an overview of OIOS activities during the period 1 July 2007 to 30 June 2008 and comprises three main sections, covering (a) initiatives aimed at improving OIOS operations and quality of work, including impediments to the Office's activities; (b) oversight findings by risk category; and (c) mandated reporting on oversight activities concerning the United Nations Compensation Commission and the capital master plan. The addendum to the report ((A/63/302) (Part I)/Add.1) provides a detailed analysis of the status of implementation of the recommendations, a breakdown of recommendations with financial implications and an analysis of selected recommendations of particular concern.

3. The report does not cover oversight findings pertaining to the Department of Peacekeeping Operations, the Department of Field Support or the peacekeeping and special political missions, as they will be presented to the General Assembly in part II of the report during the resumed part of the sixty-third session. A separate report on the activities of the Procurement Task Force (A/63/329) will also be submitted to the General Assembly at its sixty-third session.

# II. Internal initiatives

## A. Cooperation and coordination

### 1. Coordination with other United Nations oversight entities

4. OIOS coordinates regularly with other United Nations oversight entities, including the Board of Auditors and the Joint Inspection Unit, to ensure that potential duplication and overlap in the conduct of oversight work are avoided and to minimize any gaps in oversight coverage. Aside from sharing workplans, the Office holds bimonthly meetings with the Board of Auditors to discuss issues of mutual interest and meets with the Joint Inspection Unit on an ad hoc basis when issues of particular concern arise. Annually, the senior representatives of those entities take part in a tripartite meeting to discuss, inter alia, oversight coordination.

5. During the reporting period, the Office also conducted an evaluation workshop for Joint Inspection Unit inspectors. The workshop, which was requested by the Unit, provided its staff with a broad overview of evaluation in the United Nations system and covered basic aspects relating to the conduct of evaluations. In addition, OIOS continued to participate in the meetings of representatives of internal audit services of United Nations and organizations and multilateral financial institutions. At the 38th meeting of representatives, co-hosted by the International Atomic Energy Agency and the United Nations Industrial Development Organization in

October 2007, OIOS served on several panels and chaired the audit committee working group.[1]

## 2. Supporting and advising management

6. The Office's founding resolution (48/218 B) and subsequent resolutions, including resolution 61/245, point to its responsibility for supporting and advising management in its effort to improve the functioning of the Secretariat. To this end, when appropriate, OIOS lends staff expertise in terms of training and support or providing input to the Organization's normative work. During the reporting period OIOS, inter alia:

(a) Provided input in connection with the reform of the internal system of administration of justice in order to ensure that investigative issues are effectively addressed;

(b) Participated in discussions coordinated by the Office of Legal Affairs for policy development in the area of criminal accountability of United Nations personnel;

(c) Provided advice to the Vendor Review (sanctions) Committee and the Procurement Division of the Department of Management in the process of screening, evaluating, and reviewing vendors and individuals seeking to do business with the United Nations;

(d) Submitted proposals for amending the United Nations Procurement Manual and the United Nations general conditions of contract to provide for a more flexible sanctions regime to encourage greater compliance by vendors;

(e) Provided support to the Administrative Law Unit and the internal system of administration of justice following charges levied in connection with OIOS reports and the consideration of charges and efforts to identify and recover financial losses incurred by the Organization as a result of severe misconduct;

(f) Collaborated with the Conduct and Discipline Unit of the Department of Peacekeeping Operations and the Department of Safety and Security to ensure alignment of policies and procedures for the conduct of investigations and consistent reporting of statistical information;

(g) Provided advisory services on the implementation of the International Public Sector Accounting Standards, as requested, and served as a member of the subgroup of the representatives of internal audit services on the implementation of the standards in which issues concerning oversight of implementation are discussed;

(h) Provided the Department of Management with regular extracts from the OIOS recommendations database on the status of recommendations for use in organizational mechanisms for the follow-up of outstanding recommendations, including the Management Committee and the Management Performance Board;

(i) Disseminated guidelines to all Secretariat departments/offices on how to develop an evaluation policy and subsequently advised and assisted several departments in drafting their policies. Also provided self-evaluation support to the

[1] The audit committee working group drafted a working paper on generally accepted audit committee principles and best practices for adoption by United Nations entities and other multilateral institutions.

Department for General Assembly and Conference Management, the Department of Political Affairs and the Economic Commission for Latin America and the Caribbean.

7. In addition, during the reporting period the Under-Secretary-General for the Office of Internal Oversight Services initiated meetings with new under-secretaries-general and their senior staff to provide an overview of the Office and answer questions with regard to its work. OIOS plans to continue such meetings, which serve as a valuable forum to enhance understanding of the Office's activities and work processes.

## B. Strengthening oversight functions

### 1. Risk-based workplan

8. During the reporting period, OIOS realized its ambition to deliver a risk-based workplan for 2008.[2] The workplan is the result of numerous risk assessments conducted on the basis of OIOS methodologies aimed at aligning the priorities of the Office with the risks faced by the Organization.

9. As part of the process to establish a risk-based workplan, the Internal Audit Division conducted 31 risk assessments, 12 of which were carried out with the assistance of a consultant. Another 14 risk assessments, conducted prior to the adoption of the new methodology, were updated to ensure alignment with the current methodology. Those 45 risk assessments, which were each subsequently incorporated in risk registers,[3] formed the basis of the 2008 workplan of the Internal Audit Division. Overall, the risk assessments identify five high-risk focus areas in the Organization:

(a) Programme and project management;

(b) Strategic management and governance;

(c) Human resources management;

(d) Procurement and contract administration;

(e) Safety and security.

10. To ensure that all information contained in the risk registers can be easily synthesized at the macro and micro levels, the Office is developing a database of all identified risks. The database will enable the Office to generate reports on the risk profile of the Organization, including cross-cutting risk areas, and will serve as the primary source of information in developing future workplans.

11. The departments/offices for which risk assessments were conducted were informed of the results and the ensuing audit workplan developed. In addition, the Office initiated meetings with programme managers to brief them on the results.

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[2] It should also be noted that there are assignments included in the OIOS workplans which have been specifically requested by the General Assembly; therefore, these do not necessarily conform to the same risk-based criteria identified for other assignments in the workplans.

[3] The risk register is a compilation of all the risks identified during the risk assessment process, the Office's assessment of the mitigating controls over those risks and its rating of the degree of probability and impact.

OIOS plans to continue such meetings in future as they provide an important opportunity for programme managers to express their views on the results of the risk assessment and to discuss the audit workplan for current and future periods. During the period, meetings were held with the United Nations Offices at Geneva and Nairobi, the Office of the United Nations High Commissioner for Refugees, the United Nations Environment Programme, the United Nations Human Settlements Programme (UN-Habitat), the United Nations Conference on Trade and Development, the Economic and Social Commission for Asia and the Pacific and the International Tribunal for the Former Yugoslavia. OIOS will also share with programme managers the reports generated from the risk register database so that they and all other risk information collected by OIOS can be used as input for consideration in their own risk management activities.

12. The Inspection and Evaluation Division utilized a risk assessment methodology based on an analysis of available Secretariat-wide proxy risk indicators. For the 2008 workplan, the Division identified the following 12 proxy indicators for which uniform and comparable data were available:

(a) Total resources;

(b) Number of posts;

(c) Discretionary vulnerability;

(d) Complexity of coordination needs;

(e) Output implementation rate;

(f) Availability of programme performance information;

(g) Evaluation coverage;

(h) Resources spent on evaluation;

(i) Time of outstanding OIOS recommendations;

(j) Timeliness of reporting;

(k) E-PAS compliance rate;

(l) Gender equality.

13. The indicators have also been assigned relative weights based on their potential contribution to three OIOS categories of risk: strategic, governance and operational.[4] OIOS expects the methodologies of the Internal Audit Division and the Inspection and Evaluation Division to have evolved in time for the 2009 workplan to ensure that the risks identified through the respective risk assessments are duly considered in future work planning exercises.

14. In February 2008, OIOS presented its risk assessment methodologies to the Independent Audit Advisory Committee. In its report (A/62/814), the Committee opined that the methodologies formed a reasonable basis for establishing the 2008 audit, inspection and evaluation workplans.

[4] Those three risk categories are among the seven risk categories which OIOS uses in reporting oversight findings. Additional information on the risk categories may be found in section III of the present report.

### 2. More effective recommendation monitoring

15. During the reporting period, the Office began testing phase II of Issue Track, the OIOS recommendation monitoring system launched in February 2006. Once implemented, phase II will enable departments/offices to view the respective OIOS recommendations online via a web browser and to provide updates on implementation status directly into Issue Track. Given that the system will become the primary source of exchange between OIOS and departments/offices on recommendation implementation, a group of departmental/office focal points were included in the process of formulating system specifications and testing the updated software so as to ensure that the system was useful and user-friendly. OIOS expects phase II to be fully operational by 2009.

### 3. Ensuring optimal processes and procedures

#### Inspection and Evaluation Division

16. During the period under review, the Inspection and Evaluation Division was formally established with the approval of the biennial programme plan for OIOS for 2008-2009 by the General Assembly in its resolution 62/224. Through General Assembly resolution 62/236, the Division was given additional staff and non-staff resources to support its new focus on the conduct of inspections and evaluations. The transformation of the Monitoring, Evaluation and Consulting Division into the Inspection and Evaluation Division required several internal change initiatives aimed at simultaneously scaling up and upgrading its work.

17. An important primary goal in upgrading the Division is to subject each Secretariat programme to an in-depth evaluation at least once every eight years; this will require an increased number of evaluation outputs. Systematic, cyclical coverage of all programmes and related subprogrammes will provide the Secretary-General and Member States with independent, impartial evaluative evidence and information on programme results and the attainment of mandates, which will help decisions to be made in a more regular and timely manner than in the past. To ensure that the inspection and evaluation reports are of the highest accuracy, quality and utility possible, the Division has continued the initiatives begun in the previous period:

(a) Division-level vision and mission statements were developed, consistent with its mandates, emphasizing its goal to achieve excellence;

(b) Internal reorganization has been completed to allow for more flexible and efficient allocation of staff resources among sections, centred on a team-based approach to each assignment;

(c) The quality assurance system has been further refined and implemented such that all assignments adhere to established quality standards based on the norms and standards for evaluation in the United Nations of the United Nations Evaluation Group;

(d) Further evaluation skills training for all staff was provided;

(e) A new inspection and evaluation manual was introduced, including standardized methodological protocols and templates for communications with entities under review.

**Internal Audit Division**

18. The Internal Audit Division continues to improve its processes and procedures in order to align itself with best practices and the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.[5] The Professional Practices Section has spearheaded the Division's initiatives to develop and maintain a quality assurance and improvement programme. Achievements during the reporting period include:

(a) The comprehensive revision of the internal audit manual; supplementary materials (practice guidelines) are being drafted to provide auditors with expanded guidance in key areas such as information and communications technology, general controls and application systems. In addition, performance metrics have been developed to assess the achievement of the Division's goals and objectives;

(b) Initial work on recustomizing the Division's electronic working papers system to reflect updated procedures, standardizing use of the software and improving its usability. The system will also include a robust information-management capability that will provide up-to-date information on the implementation status of the annual audit workplan and other performance indicators. The Division also strengthened the use of audit technology by running refresher courses on data-mining tools;

(c) The development of a standard training programme to be followed by staff. In conjunction with the 2007-2008 performance evaluation cycle, first reporting officers are responsible for developing individual training plans based on the programme; the Professional Practices Section will organize training as appropriate, subject to the availability of resources;

(d) Ongoing efforts to improve the writing skills of its staff. In this connection, the Division contracted an intergovernmental organization to develop and implement a distance-learning programme entitled "Writing audit reports for OIOS".

19. The Internal Audit Division continued to experience a high level of staff movement during the period and recognized the need to develop adequate responses to minimize disruptions to audit activities. To cope with those staff movements, the Division enhanced the visibility of its recruitment strategy and increased the use of Galaxy rosters for staff selection.

**Investigations Division**

20. Although the major structural reform did not secure General Assembly approval, several functional enhancements have been implemented in the Investigations Division, including a new case intake committee, and a Professional Practices Section has been created. In addition to carrying out its primary role in the area of quality assurance and the development of investigative standards, the Professional Practices Section has already contributed to strategic issues by appointing subject-matter experts for high-risk areas, supporting overall knowledge-management initiatives and devising an internal/external communication policy to

[5] The International Standards provide independent, authoritative guidance designed to ensure effective internal audit function.

address the many special circumstances regarding information, data and statistics related to investigations.

21. A simplified structure designed to channel resources to regional centres was proposed to the General Assembly to address systemic weaknesses in the current fragmented structure. The proposed structure would take advantage of the existing capacity in three regional locations and build on the competency required to investigate matters in the broad categories of sexual exploitation and abuse and financial, economic and administrative offences. The General Assembly, however, did not approve support account funding proposals for that change, endorsing the recommendation of the Advisory Committee on Administrative and Budgetary Questions (see A/62/7/Add.35) requesting that a complete analysis and justification of the envisaged restructuring be provided, including the impact that the team/unit concept and the relocation of investigators from peacekeeping missions would have on staff. Likewise, in its report, the Independent Audit Advisory Committee noted that while a hub concept has merit, it would have welcomed further discussion in the support account budget report on the cost implications of the proposed restructuring, in both the short and long term (A/62/814, para. 25). OIOS plans to present the information requested in the context of the budget for the support account for peacekeeping operations for 2009/10.

22. Maintaining the current structure presents serious challenges for OIOS, particularly given that the Procurement Task Force will expire as at 31 December 2008. Without the proposed restructuring and, in particular, the redeployment of posts to the regional hubs, it is not expected that OIOS will have the capacity to meet the demands of the Procurement Task Force caseload without relying on temporary resources.

23. Notable achievements of the Investigations Division during the reporting period include:

(a) The development of a comprehensive investigation manual. That process is now well advanced, with a full draft expected to be available to staff in September 2008. The manual will serve as a basis for advancing the current technical and substantive capacity of Investigations Division personnel. It will cover the entire process of investigations, including information that all staff members need in order to better understand their rights and responsibilities. Once completed, the manual will be made easily accessible to staff;

(b) The completion of revised and expanded key standard operating procedures to align OIOS with best practices and developing jurisprudence affecting investigations. The Division is also working to expand the standard operating procedures, which are designed specifically for investigators and involve an array of support materials, including procedures, protocols, checklists, templates and forms to facilitate the investigation process;

(c) The development of a comprehensive investigation learning programme, to be integrated with the new manual, to build the capacity of managers and staff with a role in the investigative process. The modular programme includes awareness-raising components for managers and technical- and skills-development components for those directly involved with investigations, for example staff in special investigative units under the authority of the Department of Safety and Security. The topics range from general investigative techniques to specialized

areas, including investigating sexual harassment. The full complement of investigation learning programme modules will have been developed by the end of 2008, with the training of programme managers expected to commence by the end of 2008 or early in 2009;

(d) The completion of the terms of reference and procedures for the Case Intake Committee (A/62/582 and Corr.1, para. 27). The Committee is expected to commence its duties in September 2008. Cases are already being assigned in a more customized manner that takes into consideration a variety of factors with a view to identifying the best investigators for a case, irrespective of divisional structure;

(e) Ongoing work by the Investigations Division to advance its technological capacity for the conduct of investigations. More advanced computer forensic expertise has been integrated into the required competencies of an investigator, increasing effectiveness and reducing reliance on external expertise, including with regard to the imaging of hard drives and forensic analysis software. In addition, the Division has concluded its assessment of the available case management systems and has chosen to use the product procured by the Office of Legal Affairs to ensure consistency across the internal system of administration of justice and facilitate better document management in that system as cases move from investigation to sanction;

(f) Work by the Investigations Division and the Procurement Task Force to ensure the full integration of the Procurement Task Force caseload into the Investigations Division case management system to facilitate the management of such cases once the Procurement Task Force mandate expires at the end of 2008.

## 4. Impediments to work

24. OIOS is required to rely on extrabudgetary resources to finance internal audit activities for selected United Nations entities (see A/62/281). For example, the United Nations Environment Programme funds only one P-4 and one General Service post to audit its operations and those of a number of multilateral environmental agreements, which together, have a budget of around $1 billion. Recently completed risk assessments show that it would take approximately 17 years for the auditor to conduct the audits of the high-risk areas identified on the basis of the risk register. Similarly, the United Nations Human Settlements Programme, with a budget of $250 million, funds one P-3 and one General Service post. Recently completed risk assessments show that it would take approximately 11 years for the auditor to conduct audits of the Programmes's high-risk areas. OIOS notes that the lack of adequate audit resources is a significant risk for the Organization.

25. The Internal Audit Division is developing a strategy to identify and obtain the resources necessary to adequately cover auditable high-risk areas. Representatives of the Division's management are discussing with their counterparts in extrabudgetary entities the results of their risk assessments, the ensuing audit workplans and the level of resources required to complete the audit of high-risk areas within a reasonable time frame. A general audit approach will be determined on the basis of those discussions and included in future budget submissions.

26. OIOS also continues to confront operational challenges with regard to its procurement-related investigations. The Procurement Task Force has faced

challenges to its investigations from vendors and their agents and intermediaries, who refuse to cooperate with investigations in some instances. Additionally, procurement records in some offices and field missions are consistently incomplete and in disarray, with critical documents, including financial records and contracts, often being missing. As a result, investigators must often reconstruct events and examine procurement exercises without the benefit of critical documents, which require additional resources and time.

# III. Oversight findings by risk category

27. The present section summarizes selected findings from the period under review, classified into seven risk categories — strategy, governance, compliance, financial, operational, human resources and information resources — which in the opinion of OIOS most accurately represents the various types of risk present in the Organization's work environment. Those categories also form a central component of OIOS risk assessment methodologies. Some of the findings describe specific and individual risks, while other risks identified are pervasive in the system, i.e., frequently observed in OIOS oversight assignments. Common to them all is the fact that, unless acted upon, they could have an adverse impact on the mandate, operations or reputation of the department/office in question or the Organization as a whole. It should be noted that findings from the same oversight assignment may be found in several risk categories.

## A. Strategy risk

OIOS defines strategy risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

- Inadequate strategic planning
- Adverse business decisions
- Improper implementation of decisions
- Lack of responsiveness to changes in the external environment
- Exposure to economic or other considerations that affect the Organization

28. Organizational oversight and management is compromised by the fact that there are significant shortfalls in systematic availability of data on progress against planned achievements, without which the determination of a programme's relevance and effectiveness is not possible. Further, an OIOS report on compliance with programme performance documentation requirements (INS-COM-08-001) found that, at the end of the period 2006-2007, data collection methodologies had not been specified for a quarter of the indicators of achievement approved by the General

Assembly for that biennium. Moreover, in a thematic review of the use of client satisfaction ratings and web metrics as programme performance measures (MECD-2006-006), OIOS found that the techniques used to determine client satisfaction were in many cases of poor methodological quality, with insufficient attention to client identification, sampling, use of unbalanced rating scales and questionable inferences about findings. In addition, client satisfaction surveys show that whether or not results have been achieved matters little to resource allocation and individual performance assessment. As a complement to those thematic reviews, OIOS conducted inspections of results-based management practices at the Economic and Social Commission for Asia and the Pacific (INS-07-003), the Office of the United Nations High Commissioner for Refugees (INS-07-005), the Office for the Coordination of Humanitarian Affairs (INS-07-006) and the United Nations Environment Programme (IED-08-005). On the basis of those reviews, OIOS acknowledged that the shortcomings of results-based management at individual Secretariat entities are largely systemic in nature, i.e., they emanate from the constraints posed by the Organization-wide framework for planning and budgeting rather than from the particular practices applied by the entities themselves. OIOS has prepared a separate report on results-based management (A/63/268) for presentation to the General Assembly at its sixty-third session. In this regard, the Department of Management has noted that the Secretary-General's recent report on the accountability framework, enterprise risk management and internal control framework, and results-based management framework (A/62/701 and Add.1 and Corr.1) addressed many of those issues.

29. An audit of property management at the International Tribunal for the Former Yugoslavia (AA2007/270/02) revealed that the Tribunal was lacking an asset disposal plan for its assets, which total $17 million. A plan for asset disposal is critical to ensure that optimal decisions are made regarding Tribunal property and inventory in preparation for its closing down in the next few years. Following OIOS recommendations, the Tribunal has created a property disposal unit and established a working group, which, inter alia, makes recommendations on asset disposal.

## B. Governance risk

OIOS defines governance risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

- Failure to establish appropriate processes and structures to inform, direct, manage and monitor the activities of the Organization
- Insufficient leadership within senior management
- Absence of promotion of an ethical culture in the Organization

30. In the audit of the governance mechanism of the United Nations Joint Staff Pension Fund (AS2006/800/02), OIOS found that the Fund's Internal Audit Charter, approved by the Pension Fund Board in 2004, was not aligned with either financial regulations 5.8 and 5.15 or the International Standards for the Professional Practice of Internal Auditing regarding the need for the organizational independence of the audit function. OIOS also noted that there would be possible risks if management were to have undue influence in determining the terms of reference, scope and timing of the audits. OIOS recommended that the Board review the relevant provisions of the Audit Charter that require management's agreement on the scope and terms of reference for each audit. The Board reviewed that recommendation at its fifty-fifth session and approved a change in the terms of reference of the Audit Committee to specify the Committee's role in the review and endorsement of annual internal audit plans. OIOS awaits the Board's conclusions regarding the appropriate modification of the Internal Audit Charter.

31. In an audit of the management of delegation of authority (AH2007/510/01) by the Department of Management, OIOS identified a significant lack of clarity regarding the jurisdiction over which the Department's authority to delegate was exercised and the scope of the relevant administrative issuances on delegation of authority. Terminologies such as "Secretariat", "Organization" and the "United Nations", which were critical to understanding the jurisdiction and scope of administrative issuances, were not always clearly defined or consistently applied by the Department. Consequently, the Department and other actors may not have a clear picture of their respective jurisdiction and responsibilities. Further, delegation of authority appeared to have been granted on an ad hoc basis in many instances, there was no central repository of authorities granted and appropriate monitoring procedures had not been implemented. As a result, there is a risk that delegated authority may not have been properly implemented or formalized, which could adversely affect accountability and reduce the effectiveness of the Organization's operations. The Department of Management has stated that it is reviewing the recommendations issued in the report to strengthen the management of delegation of authority.

32. In an audit of executive management practices in the Department of Management (AH2007/510/02), OIOS identified weaknesses in the control environment, some of which stemmed from extended vacancies in several key leadership positions. Those high-level vacancies in key strategic areas hindered the Department's ability to meet deadlines in mandated reforms and major projects under the Department's authority. For instance, many key decisions relating to the enterprise resource planning system were delayed pending the appointment of a director. The lack of established leadership for that initiative, coupled with delays during the critical start-up phase of the project, may have a long-term adverse impact on implementation. It is essential that the Department fill all high-level positions in a timely manner to ensure the requisite leadership and continuity for the successful completion of major projects. The Department has agreed to implement all recommendations issued by OIOS.

33. In an audit of the Department of Safety and Security (AH2007/500/02), OIOS found that there was ambiguity regarding the roles and responsibilities of the Department in relation to other departments/offices, which could result in diminished accountability and compromise the safety and security of United Nations staff. The ambiguity resulted from conflicting information provided to the

Department and other concerned staff with respect to, on the one hand, reporting and responsibilities of actors in the United Nations security management system and, on the other, the new framework for accountability (see resolution 61/263). OIOS also noted that the Department did not submit all policies for review to the Inter-Agency Security Management Network, which, in the view of OIOS, violated the concept of a unified capacity for policy that the Department is mandated to achieve. The Department has accepted all recommendations put forward by OIOS.

34. The OIOS assessment of evaluation capacities and need in the Secretariat (IED-2006-006) found that the current practice falls short of the established regulations and rules that apply to evaluation.[6] The proportion of resources estimated to be used for evaluation by Secretariat programmes has increased from 0.29 per cent in 2006-2007 to 0.43 per cent in 2008-2009. This is, however, still well below the 1 to 3 per cent that is often cited by evaluation professionals as an appropriate range of resources for evaluation. Nevertheless, programmes are making progress in enhancing self-evaluation capacity, in terms of establishing a dedicated function, applying norms and standards and ensuring the operational transparency necessary for a properly functioning evaluation system. For example, since the issuance of the report, the Department for General Assembly and Conference Management and the Department of Peacekeeping Operations have established dedicated evaluation functions, while 10 other departments/offices have adopted evaluation policies.[7]

35. In an audit of the use of consultants and individual contractors by the Department of Economic and Social Affairs (AN2007/540/02), OIOS found that the procedure for ensuring competitive selection was not spelled out by the Office of Human Resources Management of the Department of Management with a view to ensuring compliance by departments/offices. In addition, the Department of Economic and Social Affairs had not established internal procedures to ensure uniformly that the selection of consultants was competitive, fully documented, economical and in the best interests of the United Nations. Consequently, contracts were being awarded repeatedly to a limited number of consultants without documentation of a competitive process. For example, OIOS found that, of a sample of 37 contracts administered by the Technical Cooperation Management Services, documentation justifying the selection of candidates was not available in 34 files. In the contracts processed by the Executive Office of the Department, while 27 of 30 contracts sampled did document the names of the candidates who were considered, the same names were repeated in 10 of the contracts. The OIOS recommendations contained in the report are in the process of being implemented.

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[6] Codified under article VII of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation.

[7] These include the Office of the United Nations High Commissioner for Human Rights, the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, the Office for Disarmament Affairs, the International Trade Centre, the Department of Political Affairs, the Department of Peacekeeping Operations, the Economic Commission for Europe, the Economic Commission for Latin America and the Caribbean, the United Nations High Commissioner for Refugees and the United Nations Relief and Works Agency for Palestine Refugees in the Near East.

36. In an investigation of the Department of Economic and Social Affairs in the context of certain United Nations staff members and the financial management of the United Nations Thessaloniki Centre for Public Service Professionaiism (PTF-R001/08), the OIOS Procurement Task Force also found a lack of proper and transparent processes in the hiring of consultants in connection with a Centre project, further noting the systematic failure of staff members in supervisory roles to ensure that proper recruitment procedures were followed and documented. OIOS recommended, inter alia, that the Department of Economic and Social Affairs make restitution to the trust fund for the Thessaloniki Centre for the amounts paid to consultants for which either no work was performed, work was performed which has not properly been identified as necessary for the project or sums of money were paid for expenses unconnected and unrelated to the project, and for the misappropriated funds identified in the report. In addition, OIOS recommended that the Department initiate a comprehensive review of all consultancy contracts based upon the systemic deficiencies in the process in connection with the trust fund project. OIOS is still awaiting a comprehensive response to those recommendations.

37. An investigation at the United Nations Office at Nairobi (0058/08) into reports of the mishandling of weapons found that security and control in the armoury were grossly inadequate, which contributed to the loss of an official weapon, later found by the local police next to a public road. Although the investigation did not reveal who was responsible for the loss of the official weapon, OIOS found that the senior management of the security section failed to adequately supervise the armoury or require adherence to standard operating procedures. In addition, OIOS found that senior security officers acceded to an improper request by a senior manager for the issuance of an official firearm. OIOS recommendations for strengthening armoury security and controls were implemented. The United Nations Office at Nairobi also accepted recommendations for appropriate action to be brought against three staff members implicated, and has referred the matter to the Department of Management for consideration of possible disciplinary action.

38. Also at the United Nations Office at Nairobi, OIOS investigated a report (0515/06) of possible misconduct that included an alleged plot of violence against a senior officer by an armed United Nations security officer. It was found that a security officer had been insubordinate in refusing to hand over a firearm for inspection on his supervisor's properly issued instruction. The evidence obtained was insufficient to conclude that the security officer was involved in the alleged plot of violence. However, the security officer has since been reprimanded, with the proviso that he not return to the security service at the Office.

## C. Compliance risk

OIOS defines compliance risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from violations of, or the failure or inability to comply with, laws, rules, regulations, prescribed practices, policies, procedures or ethical standards.

39. In an audit of procurement management at the United Nations Office at Geneva (AE2007/311/05), OIOS found that the vendor database was inadequately maintained and that, as a result, the Office was not able to ascertain whether the vendor registration process had been carried out in accordance with the relevant rules and regulations. The vendor registration files did not, for example, contain the minimum information required by the Procurement Manual. A detailed and complete vendor database is necessary for vendor selection, a key stage of the procurement process that largely determines the effectiveness of the competition for the various procurement actions. OIOS recommended that the Office amend its procedures for maintenance and control of the vendor database and seek the approval of senior management to assign the level of staff resources required to adequately maintain the database. The Office accepted the recommendation, but stated that in view of its current staffing levels, it is not in a position to dedicate a staff member to the administration of a vendor database on a full-time basis.

40. In an audit of the United Nations Information Centre in Tokyo (AN2007/580/02), OIOS found that a certifying officer and certain approving officers were knowingly approving advance payments, using fictitious invoices to record them as expenditures — a practice that was prevalent from 2000 to 2005. The staff members admitted to issuing advance payments to vendors to fully utilize funds by end of year. Their actions contravened the Financial Regulations and Rules of the United Nations, and could lead to a financial loss for the Organization, as a prepaid vendor has filed for bankruptcy. All recommendations issued in that report have been accepted, including an OIOS recommendation that the Department of Management, in consultation with the Department of Public Information, take appropriate action against the staff members of the information centre who prepared, certified and approved the fictitious vendor invoices in order to make advance payments.

41. In an investigation into alleged fraud and embezzlement at the Office for the Coordination of Humanitarian Affairs in Jakarta (0325/07), OIOS substantiated an embezzlement scheme involving 55 fraudulent transactions over a period of two years in the amount of $61,783. The implicated staff member used unauthorized, scanned and stamped signatures of various international staff members to effect fictitious transactions and embezzle cash advances. The investigation revealed that there were weak controls over the process of requesting and verifying payments and a lack of appropriate supervision by managers. On the basis of OIOS recommendations, one staff member has been reprimanded and a second has been separated from service and convicted of forgery and embezzlement and is serving a two-year prison sentence. An OIOS recommendation to reprimand a third staff member is pending.

42. In an investigation of a United Nations staff member (0440-05), OIOS substantiated involvement with visa fraud and use of official property and assets in contravention of established rules and regulations. The staff member concerned forged United Nations documentation claiming to sponsor foreign nationals for entry visas to the United States of America in order to attend conferences hosted by the United Nations. The staff member was subsequently charged and convicted by authorities of the United States of America on two counts involving conspiracy and fraudulent acts and sentenced to one year in prison.

43. In an investigation at the United Nations Office for Project Services (PTF-R012/07), the Procurement Task Force uncovered a scheme to defraud the Office and the United Nations by arranging contracts with an aggregate value exceeding $350,000. The scheme continued for more than a year and involved a staff member, the spouse and companies associated with the spouse. The staff member helped the companies to achieve the status of vendors and steered solicitations to selected bidders. In furtherance of the scheme, the staff member submitted fictitious proposals on behalf of purportedly competing vendors and used false bids to create fictitious bid analyses. Although goods were delivered pursuant to the contracts arranged by the scheme, the contracts were tainted by corruption. There was also a net loss to the United Nations Office for Project Services — the result of bids being overpriced — estimated at approximately $13,000. The executive management and counsel of the Office agreed with the findings and dismissed two staff members. In addition, 12 companies participating in the scheme were removed from the list of registered vendors.

44. The Procurement Task Force investigated allegations of fraud and favouritism pertaining to two separate procurement exercises in the United Nations Office at Nairobi (PTF-R002/08). Although the investigation did not identify any evidence to substantiate the allegations, OIOS recommended, inter alia, that the Secretary-General review the role of responsible officials in the Office, including the Executive Services Management Board, in connection with their respective roles in the procurement of goods and services to ensure consistency with the Procurement Manual and the overarching rules and regulations of the Organization.

45. In an investigation of a General Assembly-mandated review of the pay and benefits system (PTF-R014/08), the Procurement Task Force identified an elaborate scheme by two United Nations staff members to steer valuable contracts under the project with an aggregate value of $1.8 million to private entities with which they were associated both during and after their employment with the Organization. OIOS established that the staff members in question made false statements and material omissions to the United Nations in furtherance of the scheme and improperly disclosed United Nations documents and information to individuals and entities external to the Organization. It was further established that the participants in the scheme compromised the integrity of the procurement process, engaged in personal business while employed by the Organization and billed expenses to the Organization that they should have borne personally. Those activities resulted in violations of United Nations regulations and rules. OIOS recommended, inter alia, that the Organization remove entities and individuals involved in the scheme from the list of registered vendors and take appropriate action against the staff members in question. All of the recommendations made in this report are in the process of being implemented by the Organization.

46. In its report on a United Nations vendor (PTF-R013/07), the Procurement Task Force uncovered an elaborate scheme, involving several company officials, to secure a valuable United Nations contract under the oil-for-food programme in exchange for promises of sums of money to a former United Nations procurement officer and his close associate, a vendor intermediary and agent. Despite the scheme, whereby the vendor obtained confidential United Nations documents and information, the company's efforts to obtain the contract were not successful. The procurement official has since resigned from the Organization and been prosecuted criminally in connection with other corrupt conduct in the Organization. The

investigation further established that several officials of the vendor provided, and caused to be provided, false information to investigators in connection with the Independent Inquiry Committee into the United Nations Oil-for-Food Programme in November 2004. OIOS recommended, inter alia, that the Organization take appropriate action against the vendor and its affiliates, taking into consideration the company's extensive cooperation with the investigation, its acknowledgement of wrongdoing and its agreement to implement significant safeguard measures, including ethics, anti-corruption and compliance training for all employees. The recommendations were implemented by the Organization.

## D. Financial risk

OIOS defines financial risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

- Failure to obtain sufficient funding
- Inappropriate use of funds
- Inadequate management of financial performance below expectations
- Inappropriate reporting and disclosure of financial performance

47. In an audit of the administration of UN-Habitat Afghanistan projects (AA2007/250/04), OIOS was unable to verify that a $7 million pool of funds for an umbrella project established to share the cost of international staff and consultants, as well as operational costs, was being used as intended. OIOS also found inaccurate financial reporting on individual projects. For example, OIOS identified instances in which donors had been informed that funds were fully utilized, when there were, in fact, balances left on individual projects, which were recovered and transferred back to the fund and subsequently used on other UN-Habitat Afghanistan projects for cross-cutting common services. The failure of UN-Habitat to establish adequate mechanisms to ensure proper accounting for and treatment of common resources may erode donor confidence, thereby putting at risk potential funding for future projects. OIOS recommended, inter alia, that UN-Habitat suspend the use of the existing umbrella project for Afghanistan and, where necessary, prepare corrected financial statements for affected Afghanistan projects. UN-Habitat advised that a subsequent review of the umbrella project concluded that the charges to it were in line with the goal and objectives of the respective projects as reported to the donors and that further notifications to donors were therefore not required. OIOS questioned the independence of the consultant who carried out the review and has requested UN-Habitat to initiate an independent review of the project.

48. In an audit of the Colombia country office of the United Nations Office for Drugs and Crime (AE2007/365/04), OIOS found that internal controls to ensure reliable recording of the release and use of funds by implementing partners and operators were weak. For instance, the Colombia office did not maintain separate

records to account for the release and use of the funds, which increased the risks of misuse and loss of funds. Further, implementing partners and operators were not required to issue official receipts to the Colombia office when they received funds, nor were they required to support their use of previously released funds. In one case, the liquidation of $31,952 for cash advances for three project staff was made without supporting documents proving the validity of the travel expenses incurred.

49. In the same audit, a review of bank reconciliations and disbursement vouchers indicated non-compliance with the pertinent Financial Regulations and Rules of the United Nations. The authorized imprest level imposed internally was exceeded in both savings and checking accounts. To ensure accountability and proper use of funds, OIOS recommended that the office should, inter alia, establish financial controls to adequately monitor and ensure proper documentation of transfers to and use of funds by operators and associations. As recommended by OIOS, the Colombia office strengthened its financial controls to ensure compliance with the relevant Financial Regulations and Rules of the United Nations related to cash management. In February 2008, the United Nations Office on Drugs and Crime decided to reconfigure and streamline all of the financial and administrative support functions of the Colombia office. The new financial and administrative support unit, which was expected to be in place by July 2008, will have a new accountant with functions that include monitoring and ensuring proper documentation of financial transactions and substantive agreements with operators and associations.

50. In an audit of cash management at the United Nations Joint Staff Pension Fund (AS2006/800/01), OIOS found that, as observed in prior audits by the Office and the Board of Auditors, excessive cash balances were held in the Fund secretariat's operating bank accounts. Since those balances were not considered by the management of the Fund as part of the overall cash management strategy, the cash forecasting process did not reflect the Fund's total assets and liabilities. The implementation of an OIOS recommendation to invest those excess cash balances in order to optimize interest income will result in additional annual income to the Fund. OIOS also recommended that the Fund secretariat implement an improved methodology for cash management and forecasting and provide its projections to the Investment Management Service for inclusion in an overall projection based on the Fund's total assets and liabilities. The Investment Management Service and the Fund secretariat are working closely to determine the best method to be employed in order to provide a meaningful forecast.

51. In an audit of financial accounting and reconciliation process at the United Nations Joint Staff Pension Fund (AS2006/801/02), OIOS found that, although the Fund secretariat is responsible for producing the Fund's financial statements, in practice the responsibility for signing off on the completeness, accuracy and validity of the accounting data is decentralized among the Financial Services Section and the Executive Office within the Fund secretariat and the Operations Section of the Investment Management Service. The absence of a formalized mechanism to be used by the secretariat and the Investment Management Service could result in less-than-adequate transparency in overall accountability for the financial statements, which, in turn, could adversely affect the reliability, consistency and integrity of the financial data produced by the Fund. The Fund secretariat has accepted OIOS recommendations to clarify the responsibilities and accountability of the secretariat and the Investment Management Service for the financial statements. The Pension Board, during its fifty-fifth session, concluded that the establishment of a joint

financial accounting function would strengthen the Fund's internal financial controls and enhance confidence among the stakeholders. However, that measure will require additional staff, which will be requested of the Board during its 2009 session and included in the proposed programme budget for the bienniunm 2010-2011.

## E. Operational risk

OIOS defines operational risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

- Inadequate, inefficient or failed internal processes
- Failure to carry out operations economically, efficiently or effectively

52. In an audit of the management of United Nations laissez-passer (AH2006/513/10), OIOS identified control weaknesses in the issuance, renewal and retrieval of laissez-passer. Such weaknesses increase the risks of illegal use and serious reputational damage to the Organization. At Headquarters, laissez-passer were processed in a semi-public area and no procedures existed to ensure that staff members collecting them were formally authorized. In the field offices, OIOS found that renewals were not recorded in the centralized database until months later and were done manually with a date stamp and signature, which were easy to replicate. The Department of Management did not accept three recommendations, but has implemented or is in the process of implementing all other recommendations made in the report to help improve the management of laissez-passer.

53. In an audit of the Colombia country office of the United Nations Office on Drugs and Crime (AE2007/365/04), OIOS found that project assets may not be accounted for properly. The Financial Regulations and Rules of the United Nations require a Property Survey Board to approve the disposal and sale of assets no longer required for operation. However, the Office did not have such a Board, nor did it have a project asset manager to control asset movement. OIOS found that, of the $206,683 worth of non-expendable property purchased for a project between 2004 and 2006, assets valued at only $173,053 were transferred back to the Office upon the completion of the project. That transfer was carried out without any formal documentation, which increased the risk of loss of property and lack of accountability. OIOS recommended, inter alia, that the Colombia country office initiate a physical inventory of all non-expendable assets and match the quantities found with the inventory list prepared for each project, and that project coordinators be held responsible for assets which cannot be found in the event of failure to determine which officers are accountable. That recommendation is being implemented by the United Nations Office on Drugs and Crime.

54. In an audit of the provision of United Nations Development Programme (UNDP) services to country offices of the Office for the Coordination of Humanitarian Affairs (AN2006/590/09), OIOS found that there was no documentation to explain the flow of information and the related responsibilities, including timeline requirements, between staff of the Office for the Coordination of Humanitarian Affairs and UNDP in the field. Lack of clarity in the segregation of

functions resulted in gaps and inconsistencies in operating procedures. For example, during the audit of the regional office of the Office for the Coordination of Humanitarian Affairs in Senegal, OIOS found that procurements above $2,500 were done by the regional office, while UNDP merely approved the purchase order based on the awards made by the Office. The Field Administrative Manual of the Office for the Coordination of Humanitarian Affairs requires that UNDP be solely responsible for the procurement of items valued at $2,500 or more. The established system of internal controls was not being observed, possibly resulting in non-competitive procurements. The recommendation of OIOS that the Office for the Coordination of Humanitarian Affairs ensure a clear delineation of roles and responsibilities, including timelines, for the functions performed by it and UNDP, is in the process of being implemented.

55. In an audit of the field operations of the Office of the United Nations High Commissioner for Refugees (UNHCR) in Argentina, Armenia, Brazil, Chad, Colombia, Côte d'Ivoire, the Czech Republic, the Democratic Republic of the Congo, Guinea, Lebanon, Mozambique and the Syrian Arab Republic, weak project monitoring was observed as a recurring and systemic problem. Project monitoring exercises at UNHCR country operations often lacked the quality and depth necessary to ensure that expenditures were incurred for the intended purposes. In general, the planning of the monitoring visits and the documentation of the observations made were weak. In one case, there was no evidence of any financial or project implementation monitoring. In another country office, financial monitoring reviews did not include a reconciliation of the implementing partners' summary accounting ledgers to the subproject monitoring reports, or even a review of selected expenditure transactions. Although UNHCR has adequate instructions and procedures on financial and performance monitoring, that key control remains weak, primarily owing to the insufficient allocation of human resources to the function, lack of planning and logistical and security constraints. Inadequate management attention to the matter and lack of remedial action could result in financial losses and the failure to achieve project objectives. OIOS recommendations focused on the need for UNHCR to strengthen its human resources capacity for project monitoring. In particular, OIOS recommended that the Office significantly improve the quality and depth of its financial and performance monitoring of projects by, inter alia, conducting regular monitoring visits, and properly documenting, reporting and following up on monitoring observations. UNHCR is in the process of implementing the OIOS recommendations.

## F. Human resources risk

OIOS defines human resources risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from the failure to develop and implement appropriate human resources policies, procedures and practices.

56. In an assessment of the mechanisms implemented by the Department of Management in managing recruitment risks (AH2007/512/01), OIOS found that the Office of Human Resources Management had not conducted criminal background

checks on recently recruited staff. In addition, the Department does not do a comprehensive background check (i.e., education, prior employment and character references) on candidates for appointments of less than one year, including staff whose appointment renewals cumulatively exceeded more than one year. As at 30 June 2006, 13 per cent of the Secretariat's 10,985 staff at Headquarters in New York and at Geneva, Vienna and Nairobi were on appointments of less than one year. The Office stated that the lack of adequate resources and delays in the recruitment of short-term staff were the primary reasons why background checks were not conducted. In recruiting general temporary assistance staff, which included 3,530 staff as at 30 June 2006, the Office draws on various administrative issuances and procedures which need to be updated and consolidated. Consequently, the processes for announcing vacancies and evaluating and selecting candidates were not adequately documented and thus not transparent. The Office of Human Resources Management has agreed to implement the OIOS recommendation to establish and promulgate procedures governing the recruitment of staff under general temporary assistance. It has also agreed to perform an analysis to identify the risks of not conducting criminal background checks. However, it has declined to establish and promulgate procedures for conducting prior employment, educational and character reference checks on candidates for appointments of less than one year, stating that that would delay the recruitment process for short-term staff. OIOS reiterated the recommendation because of the importance of ensuring the highest standards of competence and integrity of staff.

57. In an audit of procurement management at the United Nations Office at Geneva (AE2007/311/05), OIOS found that there was no basis for assessing the appropriate staffing levels in the Procurement and Contracts Unit. The Unit indicated that it did not have sufficient resources to comply with the vendor database maintenance functions and had provided justification for additional staffing requirements in its budget submissions for the previous two bienniums. OIOS noted, however, that the Unit had not provided justification or criteria for the overall staffing level. The lack of established criteria or workload indicators for assessing staffing requirements increased the risk that current staffing levels might not be adequate for the Unit to effectively deliver its mandate. OIOS recommended that the United Nations Office at Geneva consult with the Procurement Division at Headquarters and develop performance benchmarks to use in work distribution and assessment of the adequacy of staffing levels at the Procurement and Contracts Unit. The Office accepted the recommendation and stated that the Unit already had a large number of statistical reports on activities with different criteria. The United Nations Office at Geneva could not at that time identify staffing benchmarks because of the complexity of contracts and other time indicators, but it will continue to consult with the Procurement Division at Headquarters on the matter.

58. In an audit of the Nepal office of the Office of the United Nations High Commissioner for Human Rights (OHCHR) (AE2006/336/01), OIOS found that staff recruited to help establish the office did not always have the requisite knowledge and experience. The staff performed functions outside their functional area, entered into unauthorized contractual arrangements and determined requirements for office equipment without consulting functional counterparts in Geneva. The lack of requisite experience and/or appropriate guidance led to delays in staff recruitment and financial authorizations, which resulted in further delays in the establishment of the Nepal office. OIOS recommended that the administration of OHCHR ensure that initial deployment teams assigned to establish field offices in future have the requisite experience in organizing in the logistical, procurement and

relevant administrative areas. That would help ensure that United Nations policies and rules are followed and that experienced staff members make sound decisions. All recommendations made in the report have been implemented or are in the process of implementation.

## G. Information risk

OIOS defines information risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from the failure to establish and maintain appropriate information and communications technology systems and infrastructure.

59. In the audit of data security at the secretariat of the United Nations Joint Staff Pension Fund and the Investment Management Service (AT2007/800/01), OIOS identified critical control weaknesses owing to the limited implementation of the Service's information security policy[8] and insufficient resources for the ongoing maintenance of the information security infrastructure. Those conditions exposed the Fund secretariat and the Investment Management Service to the risks associated with unprotected data and information assets and information security breaches. OIOS recommended that the Fund secretariat and the Service develop and implement data classification criteria and use the results to determine, in collaboration with the representatives of substantive offices, the application of controls for access, archiving and encryption. The management of the Fund is taking appropriate steps to implement that recommendation as part of the pre-implementation activities for a new pension administration system, and a project is under way to create a data dictionary which will be used to identify and make an inventory of each data element and assign security controls for data classification. It has also initiated a risk and vulnerability assessment project that will provide gap analysis and advice on security best practices.

60. Also in that report, OIOS identified additional risks to the security of data and information assets associated with the consolidation of the information and communications technology environments of the Fund secretariat and the Investment Management Service. OIOS recommended that the Fund's Information Technology Executive Committee ensure that the service-level agreement for information technology consolidation clearly defines roles, responsibilities and accountabilities relating to the management of information security operations and that the Fund secretariat and the Service ensure that the standardization of information and communications technology operations includes security controls, e-mail communications and infrastructure for the entire Fund secretariat and the Investment Management Service. The Service indicated that the Fund secretariat was the entity responsible for the preparation of the service-level agreement in support of informations technology consolidation, and that it is working with the Fund secretariat on the standardization of hardware and software platforms for

[8] The policy is designed to protect the Organization's data, applications, networks and computer systems from unauthorized access, alteration and destruction.

information and communications technology operations. The Investment Management Service also informed OIOS that most of the information and communications technology infrastructure and security solutions had been standardized within the financial best practices framework.

61. An OIOS evaluation entitled "Lessons learned: protocols and practices" (IED-08-003) revealed that most Secretariat programmes lacked a systematic approach to lesson-learning. OIOS found that existing tools are not being used to their full capacity, while only limited resources are being dedicated to lesson-learning activities. This could result in the United Nations losing one of its key resources, namely, the information gained from lessons learned that can be used to improve future performance and prevent the repetition of mistakes. OIOS made five recommendations to improve lesson-learning, including addressing it in the context of system-wide and Secretariat-wide knowledge-management strategies currently being developed, and developing appropriate guidelines, training, approaches and tools. The Department of Management has noted that the Secretary-General's recent report on the accountability framework, enterprise risk management and internal control framework, and results-based management framework (A/62/701 and Add.1 and Corr.1) addressed the need to improve lesson-learning in the context of implementing results-based management and strengthening accountability.

# IV. Mandated reporting requirements

## A. Capital master plan

62. OIOS has recently appointed two qualified auditors to the positions of Section Chief and Auditor in the Capital Master Plan Audit Section. Both are dedicated full time to auditing the capital master plan operations.

63. A risk-based audit workplan was prepared for the period 2008-2010, following a risk assessment which included discussions with the Executive Director of the Office of the Capital Master Plan, senior members of the capital master plan team and other pertinent senior United Nations staff whose responsibilities will affect the outcomes of the capital master plan. All internal audit reports related to the implementation of the capital master plan will be submitted to the General Assembly in accordance with resolution 62/87.

64. In resolution 62/87, the General Assembly requested the Secretary-General to entrust OIOS with a comprehensive review of the Office of the Capital Master Plan. The OIOS review included the structure of the Office, compliance with United Nations regulations and rules on procurement and contracting, adherence to contract terms, internal controls and processes in place to properly manage the project and other high-risk areas. OIOS identified some areas in which controls could be improved and has made recommendations to strengthen procedures and contribute to efficiencies. The most important of the recommendations relate to the prevention of delays by streamlining procurement procedures for contract amendments. Other recommendations were made with regard to succession planning, management coordination, delegation of procurement authorities, performance targets and stakeholder management. OIOS will present its final report on the comprehensive review to the General Assembly at its sixty-third session (A/63/266).

## B. United Nations Compensation Commission

65. The United Nations Compensation Commission continues to disburse award payments and monitor environmental projects being undertaken by claimant Governments with funds awarded for environmental damages, while also winding down its operations.

66. As of May 2008, $24 billion of the total $52 billion awarded had been disbursed, leaving a balance of unpaid awards of $28 billion, which comprises 18 large awards that will continue to be paid out of the Compensation Fund which receives 5 per cent of Iraq oil revenue in accordance with Security Council resolution 1483 (2003).

67. Payments of claims from July 2007 to May 2008 amounted to some $2 billion. For 2008, the Commission made available an amount of $50,000 for internal audit resources, which OIOS is using to continue the audit of the award payments to assess the Commission's compliance with the Governing Council decisions and Governments' compliance with the Governing Council reporting requirements.

68. The United Nations Compensation Commission has implemented all audit recommendations issued by OIOS including requiring audit certificates for payment reports submitted to the Commission; obtaining full accounting from Governments on the distribution of funds received; updating its financial records; and following up on the recovery of long-outstanding receivables from Governments. The Commission also reported that Governments and other paying entities remitted approximately $2.4 million as of May 2008 for overpayments to claimants.

# Annex

## Overview of mandated reporting requirements

The categories of information to be included in the annual reports of the Office of Internal Oversight Services are set out in the following documents:

(a) Secretary-General's bulletin ST/SGB/273 of 7 September 1994 (para. 28):

(i) A description of significant problems, abuses and deficiencies and related OIOS recommendations;

(ii) Recommendations not approved by the Secretary-General;

(iii) Recommendations in previous reports on which corrective action has not been completed (see the addendum to the present report (A/63/302 (Part I)/Add.1);

(iv) Decision from a previous period revised by management;

(v) Recommendations on which agreement could not be reached with management, or where requested information or assistance was refused (see addendum);

(vi) The value of cost savings recommended and amounts recovered (see addendum);

(b) General Assembly resolution 56/246:

(i) Information regarding the implementation rate of the recommendations of the previous three reporting periods (see addendum);

(ii) Information regarding the impact of the reorganization of OIOS on its work;

(iii) Reporting separately on those recommendations that have been implemented, those that are in the process of being implemented and those for which no implementation process is under way, and the reasons for their non-implementation (see addendum);

(c) General Assembly resolutions 57/292 and 60/282: reporting on oversight activities conducted throughout the phases of the capital master plan project in the context of the annual reports of the Office;

(d) General Assembly resolutions 59/270 and 59/271: provision of internal oversight of the entire claims process of the United Nations Compensation Commission and reporting regularly thereon in the context of the annual reports of the Office;

(e) General Assembly resolution 59/272: annual reports should contain titles and brief summaries of all reports of the Office issued during the year (see addendum);

(f) General Assembly resolution 62/87: requests the Office of Internal Oversight Services to ensure effective audit coverage of the capital master plan and to submit to the General Assembly all of its reports related to the implementation of the capital master plan.